

USDA



Rural Development

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Fort Leavenworth Regional Initiative (FLRI)

New Construction and VA Comparison

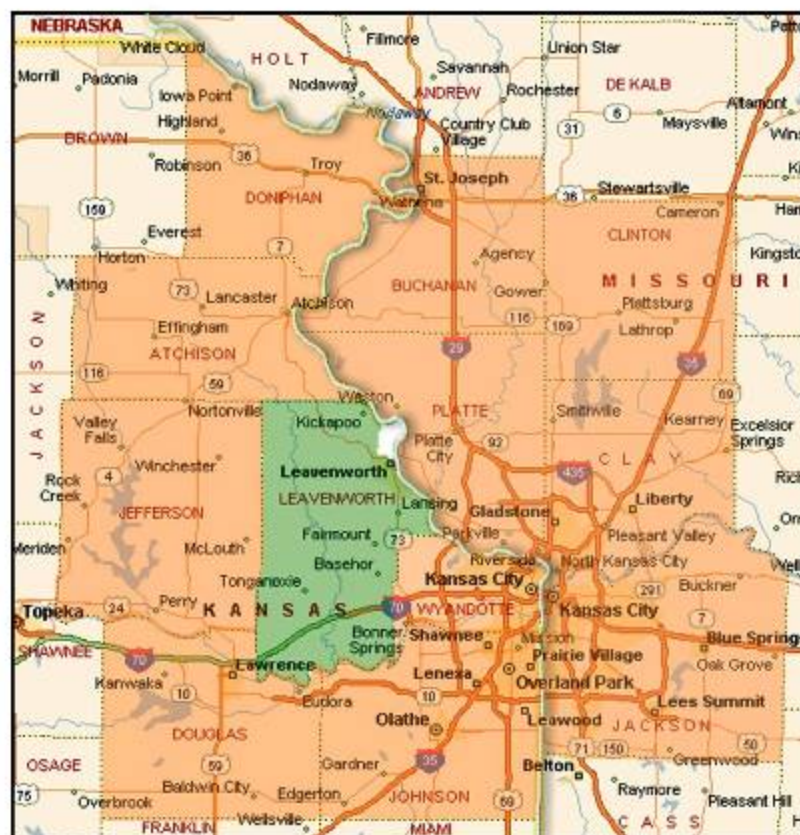
November 14th and 15th , 2006

Deb Barrett



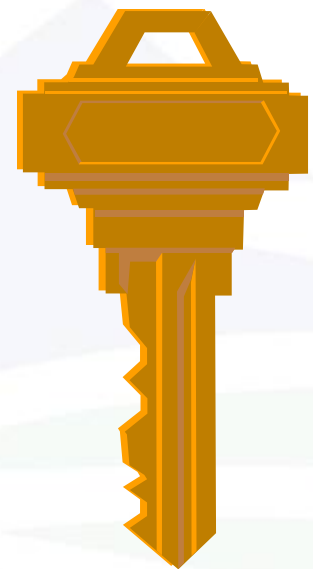
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USDA Rural Development Fort Leavenworth Regional Initiative Area Counties



Home located in eligible area

- Lender can use hard copy maps
- USDA Rural Development eligibility website is highly recommended



Eligibility Website

- <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

USDA RD Loan Eligibility Website - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Forward Stop Home Search Favorites Media Print W Go

Address <http://eligibility.sc.egov.usda.gov/eligibility/mainervlet>

USDA United States Department of Agriculture

Eligibility

- Home
- Property Eligibility
 - Housing Program
 - Single Family
 - Multi-Family
- Income Eligibility
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 - Single Family
 - Direct Housing
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 - Direct
 - Guaranteed
- Contact Us
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 - Direct
 - Guaranteed

Welcome to the USDA Income and Property Eligibility Site

This site is used to determine eligibility for certain USDA home loan programs. In order to be eligible for many USDA loans, household income must meet certain guidelines. Also, the home to be purchased must be located in an eligible rural area as defined by USDA.

To learn more about a USDA home loan program, click on the **Loan Program Basics** link on the left side of this screen and select one of USDA's home loan programs.

To determine if a property is located in an eligible rural area, click on the **Property Eligibility** link on the left side of the screen and select a Rural Development program. When you select a Rural Development program, you will be directed to the appropriate property eligibility screen for the Rural Development loan program you selected.

To determine income eligibility of an applicant/household, click on the **Income Eligibility** link on the left side of the screen and select a Rural Development program. When you select a Rural Development program, you will be directed to the appropriate income eligibility screen for the Rural Development loan program you selected.

To find out how to apply for a Rural Development Loan, click on the **Contact Us** link on the left side of the screen and then select a Rural Development Loan program.

FIRSTGOV Your First Click to the U.S. Government

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[USDA Home Page](#) | [USDA Nonprofit Gateway](#) | [Online Services Home Page](#) | [Offices](#)

You must use [Internet Explorer 5.0](#) and higher or [Netscape 4.76](#) and higher in order to view this site.

Start | Inbox - Microsoft O... | 5 Reminders | RE: CSC Task 94 - ... | Wells Fargo Trainin... | GRH trifold brochur... | USDA RD Loan Eli... | Internet | 8:08 AM

You are here: [Eligibility / Property Eligibility](#)

Rural Housing Services

USDA Property Eligibility

Property eligibility can be determined in any one of three ways:

- Enter an address below;
- Select a state from the map, or
- Click the Text Description button.

[TEXT DESCRIPTION](#)

Pin Point Address on U.S. Map

Please enter an Address:

(State and Zip Code must be entered)

Address

City
State*
Zip-Code* -

Click

[Click here to find out about additional areas that are also considered eligible this fiscal year](#)

Please select a state to view eligibility area by placing cursor over desired state and clicking.



"Best viewed using screen resolution of 1024 X 768"

Home & Site meet Agency Standards

- **Existing Homes: HUD Handbooks 4905.1, 4150.1 & 4150.2 plus USDA Rural Development thermal standards**



Existing Dwelling Standards

- Existing dwellings must be structurally sound, functionally adequate, in good repair

Existing Dwelling Standards

- Although HUD standards generally apply, some USDA Rural Development standards are more strict: no flat roofs, A-frame, stilt or dome type houses
- Flat roofs over non-living areas might be acceptable
- Modern bermed homes are acceptable



Existing Dwelling Standards

- HUD ML-48 dated 12/19/05 loosened repair requirements for minor cosmetic repairs, eliminated HUD VC sheet from appraisals
- USDA Rural Development has adopted ML-48, emphasizing a common sense interpretation



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Existing Dwelling Standards

- Existing manufactured homes are prohibited, but we can finance where we already have a GRH loan on the property to permit transfers
- Existing Modular = existing stick built



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Thermal Requirements - Existing Homes

- **R-30 in attic**
- **Exposed walls to R-19**
- **Storm windows & doors or**
- **Newer replacement windows/doors**

Examples of what works



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What doesn't work



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Too many problems



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Existing manufactured is not eligible



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Sites

- **Generally not more than 20 acres**
- **No significant ag. buildings of substantial value; grain/livestock facilities with obvious income potential**



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Many rural tracts are OK



Sites & Other Buildings

- **Acceptable: One storage/machine shed whose value is 15% or less of the total appraised value**
- **Use common sense – borrowers need to have the resources & capability to maintain the dwelling and land**

Some farm buildings OK



Rural Sites

- Well and septic system must meet KDHE requirements
- Land value should not exceed 30% of the total appraised value, but loan approval officials can document exceptions.

Floodplain issues - Existing

- Policy now same as industry
- Can loan in Flood Hazard Areas with Federal flood insurance in force at closing



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Floodplain issues – New Constr.

- **Stay out of Zone A**
- **Exception: Survey shows lowest (basement) floor elevation above 100-year floodplain elevation; flood insurance still required**

Floodplain issues – Unmapped Areas

- Remember esp. on rural tracts – if the FEMA 81-93 indicates no flood map, this doesn't mean that the property is not located in a flood hazard area
- Use common sense - if a wiggly blue line shows up next to the subject on the location map, you may have a problem



Floodplain issues – Unmapped Areas

Community Status List: an excellent website to document unmapped communities that have been determined to have no flood hazards

<http://www.accesskansas.org/kda/dwr/WS/nfip.htm>

A community with a code of NSFHA means “no special flood hazard area”

For rural sites, lenders can use their judgment or consult with County USDA NRCS



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New Construction, Defined:

- **To be built**
- **Under construction or completed with less than one year from date of Certificate of Occupancy, or Final Inspection**



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Building Code	Plumbing Code	Mechanical Code	Thermal Code	Electrical Code
BOCA Basic/ Nat'l Bldg Code	National Plumbing Code	National Mechanical Code	Model Energy Code (MEC) 1992 or later	National Electrical Code
Standard Bldg Code	Standard Plumbing Code	Standard Mechanical Code		
Uniform Building Code	Uniform Plumbing Code	Uniform Mechanical Code		
CABO 1&2 Family Dwelling Code	CABO	CABO		CABO
International Bldg Code 2000-2003	IBC 2000- 2003	IBC 2000-2003		IBC 2000-2003



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Identify Type on Form 1980-21

Request for Guarantee - Purpose

- New Construction: Take-Out End Loan: The most common; is not a GRH refinance with a 0.5% Fee
- New Construction: Purchase Contract: to buy completed or under construction
- Construction-Permanent: Applicant owns lot; one note for advances and permanent; is converted to permanent after final inspection. EEO requirements apply to general contractor and all subcontractors.



- Requirements depend on site location: Qualified Building Jurisdiction (QBJ) or Non-QBJ**
- **See Handbook page 16 for requirements inside the FLRI area**



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FLRI construction docs to submit

- **Lenders with experience in Guarantee Rural Housing (GRH) new construction will not be required to submit all docs for USDA Rural Development review**
- **USDA Rural Development has the right to require any or all docs from new, inexperienced, or problem Lenders to assure compliance**



Plan Certification

- **Building Code Certification**
- **Thermal Code Certification**
- **Both must identified on USDA Rural Development Form 1924-25 or any other Certification**
- **Recommend REScheck for Thermal:**
- **<http://energycode.pnl.gov/REScheckPkgGen>**



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Construction Inspections

Lender determines who can inspect

1. Footings & foundation ready for concrete, prior to pouring
2. Shell is complete, incl. rough-in plumbing, electrical, mechanical, just prior to putting up sheetrock
3. Final prior to occupancy

Pre-Approved Builder Pilot for Non-QBJ (HB pg 14-15)

- **Allows GRH to work with spec. builders in Non-QBJ areas**
- **Required inspections depend on point of lender involvement during construction**
- **General Contractor can self-certify plans in Non-QBJ IF they are pre-approved or if they provide a 10-year insured builder warranty**



Modular-uses Stick Built Code

- Same requirements as stick built
- 2nd inspection done in factory
- Use approved dealer-contractor, general contractor; or subs if you determine that borrower can handle GC role. GC or subs must be pre-approved in Non-QBJ



Manufactured – Built to HUD Standards

- **Applicant must work with Approved dealer-contractor**
- **Site and foundation: stick built; plot plan, foundation plan certification**
- **No 2nd inspection, only 1st and Final**
- **HUD plate with comfort heating & cooling certificate**



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GRH's best & “in the family” rival: VA

- **VA is a comparable program**
- **VA compliments GRH very well by being available in urban places**



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VA

Strengths

- 100% + fee financing
- No monthly mortgage Insurance (PMI)
- Available in areas ineligible for GRH
- Cash out refi's available
- No fee for disabled VETS

Weaknesses

- Higher fee rate for 1st time & subsequent users have to pay at least 5% down to get a funding fee lower than GRH
- Repairs and non-fee closing costs CANNOT be rolled in the loan
- Forms DD-214 & C.O.E. are needed to apply
- Residual income calculation applies



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Pay the fee out of pocket

1st Time Regular Military
2.15% X 100,000
= \$2,150 Fee

\$150 more than GRH

Subsequent VA
3.30% X \$100,000
= \$3,300 Fee

\$1,300 more than GRH

**1st Time National Guard and
Reserves**
2.4% X 100,000 = \$2,400

\$400 more than GRH

GRH
2.00% x 100,000= \$2,000



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Finance the fee

1st Time Regular Military: 2.15%

\$102,150 loan

P&I: 645.66

T&I: 167.00

**\$812.66 - \$252 more monthly
cost life of loan**

Subsequent VA: 3.30%

\$103,300 loan

P&I: 652.93

T&I: 167.00

**\$819.93 - \$2,869.20 more cost
life of loan**

**1st Time National Guard and
Reserves: 2.40%**

\$102,400 loan

P&I: 647.24

T&I: 167.00

**\$814.24 - \$821.00 more monthly
cost life of loan**

GRH: 2.00%

\$102,040 loan

P&I: 644.96

T&I: 167.00

**\$811.96 GRH saves monthly
costs as well as the first-time VA
benefit!**



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Roll in the margin

Need \$2,000 to close & appraisal = \$102,000

VA

Max loan=\$102,150

\$100,000 Purchase

\$2,150 Fee

Loan \$ for closing = 0

**Sorry, no roll in
allowed – no sale**

GRH

Max loan=\$104,080

\$100,000 Purchase

\$2,080 Guarantee Fee

\$2,000 Closing costs

This is a sale!



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Roll in the Margin

- **Fact: 92% of the GRH loans made this year in the NE Kansas area (served by the Oskaloosa Office) had an average if \$3,553 available margin to roll in for closing costs!**
- **We have lenders who are very successful in obtaining AHP funds!**
- **GRH is the deal-making solution for Soldiers and civilians!**



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One Last Look



Freddie 100:	\$879.07
Lender Paid PMI:	\$866.21
40-Year loans:	\$850.36
Freddie HP:	\$848.24
Conv. 5% down:	\$838.71
80/20:	\$833.77
FHA:	\$830.33
Subsequent VA:	\$819.93
First-time VA:	\$812.66
GRH:	\$811.86



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Who to Contact?

**USDA Rural
Development
Oskaloosa Field Office
700 West Jefferson
Oskaloosa, KS 66066
(785) 863-2587 phone
(785) 863-3229 fax**

**USDA Rural Development
State Office
1303 SW First American Pl.
Topeka, KS 66604
(785) 271-2700 phone
(785) 271-2784 fax**



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